

Charter Township of Waterford

**Federal Awards
Supplemental Information
December 31, 2005**

Charter Township of Waterford

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Independent Auditor's Report

To the Members of the Township Board
Charter Township of Waterford

We have audited the basic financial statements of the Charter Township of Waterford for the year ended December 31, 2005 and have issued our report thereon dated May 23, 2006. Those basic financial statements are the responsibility of the management of the Charter Township of Waterford. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Charter Township of Waterford taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

May 23, 2006

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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Members of the Township Board
Charter Township of Waterford

We have audited the financial statements of the Charter Township of Waterford as of and for the year ended December 31, 2005 and have issued our report thereon dated May 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Waterford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Charter Township of Waterford's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 01-I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

To the Members of the Township Board
Charter Township of Waterford

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Waterford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the Charter Township of Waterford in a separate letter dated May 23, 2006.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 23, 2006

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

To the Members of the Township Board
Charter Township of Waterford

Compliance

We have audited the compliance of the Charter Township of Waterford with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005. The major federal program of the Charter Township of Waterford is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Waterford's management. Our responsibility is to express an opinion on the Charter Township of Waterford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Waterford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Waterford's compliance with those requirements.

In our opinion, the Charter Township of Waterford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

To the Members of the Township Board
Charter Township of Waterford

Internal Control Over Compliance

The management of the Charter Township of Waterford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Waterford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 23, 2006

Charter Township of Waterford

Schedule of Expenditures of Federal Awards Year Ended December 31, 2005

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Award Amount | Federal Expenditures |
|---|----------------|---------------------|-------------------------|
| U.S. Department of Housing and Urban Development - Community Development Block Grant (major program): | | | |
| B-03-MC-26-0030 | 14.218 | \$ 468,000 | \$ 178,056 |
| B-04-MC-26-0030 | 14.218 | 451,000 | 593,374 |
| B-05-MC-26-0030 | 14.218 | <u>422,712</u> | <u>133,394</u> |
| Total U.S. Department of Housing and Urban Development - Community Development Block Grant (major program) | | 1,341,712 | 904,824 |
| U.S. Department of Justice: | | | |
| Direct Program - Federal Equitable Drug-sharing Program | 16.000 | 4,212 | 4,212 |
| Passed through the Michigan Office of Drug Control Policy - Byrne Grant | 16.579 | <u>51,844</u> | <u>51,844</u> |
| Total U.S. Department of Justice | | 56,056 | 56,056 |
| Office of Homeland Security - Passed through the Michigan Department of State Police - State Homeland Security Grant Program Part II Training Grant | 97.004 | <u>32,629</u> | <u>32,629</u> |
| Total federal awards | | <u>\$ 1,430,397</u> | <u>\$ 993,509</u> |

Charter Township of Waterford

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Waterford and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

| Federal Program Title | CFDA Number | Amount | |
|-----------------------------------|----------------|------------------------------|--------|
| | | Provided to Subrecipients | |
| Community Development Block Grant | 14.218 | \$ | 22,200 |

Charter Township of Waterford

Schedule of Findings and Questioned Costs Year Ended December 31, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program:

| CFDA Number | Name of Federal Program or Cluster |
|-------------|------------------------------------|
| 14.218 | Community Development Block Grant |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Charter Township of Waterford

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2005

Section II - Financial Statement Audit Findings

| Reference Number | Findings |
|---------------------|---|
| 01-I | <p>Finding Type - Reportable condition</p> <p>Condition - The Township did not prepare timely general ledger account reconciliations and also timely bank reconciliations of its cash and investment balances to the bank statements and treasurer's department records.</p> <p>Description - The treasurer's office tracks cash and investment activity, and timely reconciles those balances to the bank statements. In order to maintain adequate internal control over the accuracy of the general ledger, the accountant needs to reconcile the cash and investment balances to the bank statements and treasurer's department records, and the subledgers of accounts receivable to the general ledger for delinquent property tax receivable and delinquent special assessment receivable.</p> <p>We recommend, and the Charter Township of Waterford concurs, that the reconciliation of cash and investments should be prepared periodically. In addition, the bank reconciliations should be signed and dated to document timeliness, and signed and dated by an individual in the treasurer's department to document review and concurrence with any adjustments.</p> |

Section III - Federal Program Audit Findings

None